GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:329
ANSWERED ON:20.10.2008
PRIVATE SECTOR IN DEFENCE PRODUCTION
Rao Shri Kavuru Samba Siva

Will the Minister of DEFENCE be pleased to state:

(a) the major elements of the revised Defence Procurement Policy and the changes suggested/made in the offset policy to encourage private sector participation in defence production;

(b) the recommendation of the Committee, if any, constituted by the Government on registration of private industries to qualify for defence offsets;

(c) whether the Government proposes to set new targets for DRDO in various fields in view of the amended provisions of offset policy; and

(d) if so, the details thereof?

Answer

MINISTER OF DEFENCE(SHRI A.K. ANTONY)

(a) to (d): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 329 FOR ANSWER ON 20.10.2008

While promulgating Defence Procurement Procedure (DPP)-2006,it was envisaged that review of the procurement procedure would be undertaken every two years. The DPP-2008 is the outcome of the experience and feedback gained in implementation of DPP-2006. DPP-2008 has come into effect from 01 September, 2008. The revised procedure aims to strengthen the procurement framework by making it more transparent, impartial and accountable.

Provision made in DPP-2008 including Offsets' Policy to encourage private sector participation in Defence Production, inter-alia, are as under:-

(i) Inclusion of Joint Venture Company for absorption of Transfer of Technology.

(ii) Apportionment of quantities in case L-1 Vendor is unable to meet the demands of the Services.

(iii) Banking of Offset Credits.

(iv) A joint venture company has been exempted from offering offsets in case indigenous content in the product is more than 50%.

(v) Requirement of industrial licence for a private industry to participate in offset programmes for becoming eligible for defence offsets has been dispensed with. Licensing will now be required only if so stipulated under the guidelines/licensing requirements for the defence industry issued by the Department of Industrial Policy and Promotion.

(vi) A list of defence products has been added in DPP-2008, to facilitate the foreign vendors in implementing their offset obligations.

There is no Committee constituted by Government on registration of private industries to qualify for Defence Offsets.

No target has been set for DRDO in various fields in view of the amended provisions of Offset Policy.However,Offset Policy of DPP-2008,inter-alia,provides for consultation with DRDO in respect of areas in which offsets are to be preferred.